

Message Text

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PAGE 01 STATE 113162

17

ORIGIN NEA-06

INFO OCT-01 SS-14 ISO-00 EUR-08 L-01 INR-05 EB-03 SP-02

NSC-05 NSCE-00 CIAE-00 DODE-00 PM-03 H-02 SAM-01

SAJ-01 PRS-01 IO-03 /056 R

DRAFTED BY NEA/EGY:HFMATTHEWS:CEK

APPROVED BY NEA - MR ATHERTON

E - MR POATS

EUR/CE - MR HEICHLER

NEA/ARP - MR DICKMAN

NEA/IRN - MR NAAS

S/S:JPMOFFAT

----- 047832

R 151550Z MAY 75

FM SECSTATE WASHDC

TO AMEMBASSY BONN

AMEMBASSY CAIRO

AMEMBASSY JIDDA

AMEMBASSY TEHRAN

C O N F I D E N T I A L STATE 113162

LIMDIS

E.O. 11652: GDS

TAGS: PFOR,AID, EG

SUBJECT: GERMAN CONCERN OVER EGYPTIAN ECONOMIC SITUATION

1. GERMAN COUNSELOR SCHNITTGER CALLED ON DIRECTOR, NEA/EGY MATTHEWS MAY 13 TO DISCUSS EGYPTIAN ECONOMIC SITUATION BECAUSE OF RATHER ALARMING TELEGRAM GERMAN AMBASSADOR IN CAIRO HAD SENT TO BONN CONCERNING LIQUIDITY CRISIS AND DANGER THAT SADAT'S MODERATING POLICY IN THE MIDDLE EAST MIGHT BE DESTROYED. GERMAN AMBASSADOR IN CAIRO HAD RECOMMENDED THAT FRG CONSIDER POSSIBILITY OF BRINGING ABOUT A
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PAGE 02 STATE 113162

CONSORTIUM INCLUDING RICH ARAB COUNTRIES AS WELL AS OTHERS

TO HELP EGYPT OVER ITS IMMEDIATE CRISIS. BONN HAD IN-
STRUCTED GERMAN EMBASSY HERE TO RAISE PROBLEM WITH DEPART-
MENT AND SEEK ITS VIEWS.

2. MATTHEWS SAID THAT GERMAN APPROACH WAS QUITE TIMELY
SINCE U.S. ALSO FOUND EGYPTIAN ECONOMIC SITUATION DISTURB-
ING AND WE WERE THEREFORE CONSIDERING WAYS IN WHICH WE
COULD BE OF HELP. HE OUTLINED UNDER SECRETARY ROBINSON'S
RECENT VISITS TO TEHRAN AND CAIRO AND GENERAL NATURE OF HIS
DISCUSSIONS WITH EGYPTIAN AUTHORITIES. WE WERE NOW CON-
SIDERING HOW WE COULD BE OF HELP IN COOPERATION WITH A
NUCLEUS OF OTHER INTERESTED COUNTRIES SUCH AS SAUDI ARABIA
AND IRAN. IT WAS CLEAR THAT USG COULD NOT RESOLVE EGYPT'S

LIQUIDITY CRISIS BY ITSELF AND WE WERE THEREFORE HOPING
TO STIMULATE OTHER COUNTRIES, ESPECIALLY THE WEALTHY ARAB
OIL PRODUCERS, TO JOIN IN A COOPERATIVE ENDEAVOR. EGYPT
AND SADAT WERE KEY ELEMENTS IN A PEACEFUL SOLUTION IN THE
MIDDLE EAST CONFLICT AND THOSE WHO WERE INTERESTED IN
PEACE IN THAT AREA HAD AN INTEREST IN PRESERVING MODERA-
TION ON THE PART OF EGYPT.

3. SCHNITTGER SAID HE WOULD RECOMMEND THAT GERMAN
AMBASSADORS IN JIDDA AND TEHRAN DISCUSS INTERNATIONAL AS-
SISTANCE TO EGYPT WITH SAUDI AND IRANIAN OFFICIALS.
MATTHEWS SUGGESTED THAT GERMAN AMBASSADORS SHOULD TOUCH
BASE WITH AMBASSADORS AKINS AND HELMS TO MAKE SURE NO
WIRES T CROSSED.

4. SCHNITTGER ALSO SAID THAT HE WOULD RECOMMEND THAT AID
TO EGYPT BE ADDED TO GENSCHER'S AGENDA FOR HIS MEETINGS
WITH THE SECRETARY IN BONN. IT THUS APPEARS THAT THERE
WILL BE OPPORTUNITIES FOR THE SECRETARY OR ROBINSON TO
FOLLOW UP ON THIS GERMAN INITIATIVE, WHICH IS COINCI-
DENTALLY PARALLEL TO OUR OWN, AT THE OECD MEETING AS WELL
AS BILATERALLY IN BONN.

5. IN THE COURSE OF HIS DISCUSSION SCHNITTGER SAID THAT
GERMAN ASSISTANCE TO EGYPT AS CONTAINED IN THE 1974
AGREEMENT CALLED FOR 500 MILLION DM OVER THE THREE YEAR
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PAGE 03 STATE 113162

PERIOD 1974-76, BROKEN DOWN AS FOLLOWS: CY 1974 - 155
MILLION DM ; CY 1975 - 245 MILLION DM OF WHICH 155 MILLION
DM IS FOR COMMODITY IMPORTS; AND CY 1976 - 100 MILLION DM.
THESE AMOUNTS ARE IN ADDITION TO GERMAN TECHNICAL ASSIS-
TANCL WHICH SCHNITTGER THOUGHT AMOUNTED TO ABOUT 50-100
MILLION DM OVER THE THREE YEAR PERIOD. SCHNITTGER SAID
THAT THE FOREIGN MINISTRY WOULD CONSIDER INCREASING GERMAN
AID AFTER DISCUSSING THE MATTER OF COOPERATIVE ASSISTANCE

WITH THE RICH ARAB OIL COUNTRIES. DEPARTMENT RECALLS THAT DURING MAY 7 MEETING WITH UNDER SECRETARY ROBINSON IN CAIRO, FOREIGN MINISTER FAHMY SAID THAT FOREIGN MINISTER GENSCHER HAD TOLD HIM THAT GERMANY WAS WILLING TO ASSIST EGYPT IN ITS CURRENT FINANCIAL DIFFICULTIES.

6. DEPARTMENT WELCOMES THIS GERMAN EXPRESSION OF CONCERN AND DESIRE TO HELP, ALTHOUGH WE WOULD NOT WISH FRG TO TAKE THE LEAD IN THIS ENDEAVOR, A ROLE WE BELIEVE IS MORE APPROPRIATE FOR MAJOR DONORS - USG, IRAN AND SAUDIARABIA IN COOPERATION WITH IBRD AND OTHER COUNTRIES INCLUDING GERMANY. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL CRISIS, POLITICAL STABILITY, LIQUIDITY (MONETARY)
Control Number: n/a
Copy: SINGLE
Draft Date: 15 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ellisoob
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE113162
Document Source: CORE
Document Unique ID: 00
Drafter: HFMATTHEWS:CEK
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750172-0309
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750548/aaaabroi.tel
Line Count: 127
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 29 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 MAY 2003 by BoyleJA>; APPROVED <08 OCT 2003 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GERMAN CONCERN OVER EGYPTIAN ECONOMIC SITUATION
TAGS: PFOR, EAID, EG, GE, XF
To: BONN MULTIPLE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006